bonds on a bankruptcy-remote, nonrecourse or limited-recourse basis) originated by a diverse group of companies in industries that are not highly correlated. For further discussion of SPEs, see Note 17 on pages 189–198 of this Annual Report. The remaining all other exposure is well-diversified across industries and none comprise more than 2% of total exposure.

Derivative contracts

In the normal course of business, the Firm uses derivative instruments to meet the needs of customers; generate revenue through trading activities; manage exposure to fluctuations in interest rates, currencies and other markets; and manage the Firm's credit exposure. The notional amount of the Firm's derivative contracts outstanding significantly exceeded, in the Firm's view, the possible credit losses that could arise from such transactions. For most derivative transactions, the notional amount does not change hands; it is used simply as a reference to calculate payments. For further discussion of these contracts, see Note 32 and Note 34 on pages 214–217 and 222–223 of this Annual Report.

The following tables summarize the aggregate notional amounts and the net derivative receivables MTM for the periods presented.

Notional amounts of derivative contracts

December 31, (in billions)	Notional amounts[a] 2008	2007
Interest rate contracts		
Interest rate and currency swaps[b]	**$ 56,206**	$ 53,458
Future and forwards	**6,277**	4,548
Written options[c]	**4,803**	5,742
Purchased options	**4,656**	5,349
Total interest rate contracts	**71,942**	69,097
Credit derivatives	**8,388**	7,967
Foreign exchange contracts		
Future and forwards	**3,354**	3,424
Foreign exchange spot contracts	**389**	40
Written options[c]	**972**	909
Purchased options	**959**	906
Total foreign exchange contracts	**5,674**	5,279
Commodity contracts		
Swaps	**234**	275
Future and forwards	**115**	91
Written options[c]	**206**	228
Purchased options	**198**	233
Total commodity contracts	**753**	827
Equity contracts		
Swaps	**77**	105
Future and forwards	**56**	72
Written options[c]	**628**	739
Purchased options	**652**	821
Total equity contracts	**1,413**	1,737
Total derivative notional amounts	**$ 88,170**	$ 84,907

(a) Represents the sum of gross long and gross short third-party notional derivative contracts.
(b) Includes cross currency swap contract notional amounts of $1.7 trillion and $1.4 trillion at December 31, 2008 and 2007, respectively.
(c) Written options do not result in counterparty credit risk.

Derivative receivables marked to market ("MTM")

December 31, (in millions)	Derivative receivables MTM 2008	2007
Interest rate contracts	**$ 64,101**	$ 36,020
Credit derivatives	**44,695**	22,083
Foreign exchange contracts	**24,715**	5,616
Commodity contracts	**14,830**	9,419
Equity contracts	**14,285**	3,998
Total, net of cash collateral	**162,626**	77,136
Liquid securities collateral held against derivative receivables	**(19,816)**	(9,824)
Total, net of all collateral	**$ 142,810**	$ 67,312

The amount of derivative receivables reported on the Consolidated Balance Sheets of $162.6 billion and $77.1 billion at December 31, 2008 and 2007, respectively, is the amount of the mark-to-market value ("MTM") or fair value of the derivative contracts after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm. These amounts represent the cost to the Firm to replace the contracts at current market rates should the counterparty default. However, in management's view, the appropriate measure of current credit risk should also reflect additional liquid securities held as collateral by the Firm of $19.8 billion and $9.8 billion at December 31, 2008 and 2007, respectively, resulting in total exposure, net of all collateral, of $142.8 billion and $67.3 billion at December 31, 2008 and 2007, respectively. Derivative receivables, net of collateral, increased $75.5 billion from December 31, 2007, primarily related to the decline in interest rates, widening credit spreads and volatile foreign exchange rates reflected in interest rate, credit and foreign exchange derivatives, respectively. The increase in 2008 also included positions acquired in the Bear Stearns merger.

The Firm also holds additional collateral delivered by clients at the initiation of transactions, and although this collateral does not reduce the balances noted in the table above, it is available as security against potential exposure that could arise should the MTM of the client's transactions move in the Firm's favor. As of December 31, 2008 and 2007, the Firm held $22.2 billion and $17.4 billion of this additional collateral, respectively. The derivative receivables MTM also do not include other credit enhancements in the form of letters of credit.

While useful as a current view of credit exposure, the net MTM value of the derivative receivables does not capture the potential future variability of that credit exposure. To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent ("DRE"), and Average exposure ("AVG"). These measures all incorporate netting and collateral benefits, where applicable.

$88 Trillion

Peak exposure to a counterparty is a measure of exposure calculated at a 97.5% confidence level. Derivative Risk Equivalent exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. The measurement is done by equating the unexpected loss in a derivative counterparty exposure (which takes into consideration both the loss